

PERFORMANCE AUDIT
OF THE
FOOD ASSISTANCE PROGRAM
FAMILY INDEPENDENCE AGENCY
February 2003



Michigan Office of the Auditor General REPORT SUMMARY

Performance Audit

Food Assistance Program

Family Independence Agency

Report Number:
43-320-00

Released:
February 2003

The Food Assistance Program (Program) operates under the federal Food Stamp Act of 1977. The Program's purpose is to end hunger and improve nutrition and health. The Family Independence Agency (FIA) administers the Program in Michigan. FIA's stated goal for the Program is to raise the food purchasing power of low-income persons. The federal government funds 100% of the cost of the food assistance provided to recipients. The State and federal government generally share equally the administrative costs of operating the Program.

Audit Objectives:

1. To assess the effectiveness of FIA's efforts to maximize Program participation by eligible low-income households in order to improve their level of nutrition.
2. To assess the effectiveness of FIA in preventing and/or identifying Program payment errors and initiating appropriate corrective actions.
3. To assess FIA's effectiveness in controlling Program benefits for individuals convicted of drug felonies.

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Audit Conclusions:

1. FIA was marginally effective in maximizing Program participation by eligible low-income households in order to improve their level of nutrition.
2. FIA was not effective in preventing and/or identifying Program payment

errors and initiating appropriate corrective actions.

3. FIA was not effective in controlling Program benefits for individuals convicted of drug felonies.

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Material Conditions:

FIA had not developed a Statewide recipient outreach plan to help increase Program participation (Finding 1).

FIA did not achieve acceptable Program payment error rates, which has resulted in substantial federal financial sanctions and may result in additional sanctions (Finding 3).

FIA had not implemented effective internal controls for reducing Program payment errors (Finding 4).

FIA had not established effective procedures and internal controls to help

prevent the misuse of Program benefits by convicted drug felons (Finding 11).

Other Conditions:

FIA should survey recipients who voluntarily leave the Program and evaluate the survey information to help determine whether Program improvements are needed to increase overall participation (Finding 2).

FIA supervisory staff frequently did not conduct required case reads to identify and correct existing Program payment errors and FIA local office internal control weaknesses that caused the errors (Finding 5).

FIA frequently did not investigate and resolve differences between Program recipients' actual wages and wages reported to FIA by the recipient in compliance with established policies and procedures (Finding 6).

FIA frequently did not comply with established policies and procedures to investigate and resolve database matches that identify Program recipients who may not have reported new employment (Finding 7).

FIA usually did not investigate and resolve U.S. Internal Revenue Service data matches that identify recipients who may have unreported income (Finding 8).

FIA frequently did not investigate the whereabouts of potentially incarcerated recipients and, when appropriate, remove them from the Program and recoup any overpayments in compliance with established policies and procedures. Also, FIA should revise its policies and procedures to require the identification and recoupment of overpayments, when appropriate, from Program recipients previously incarcerated (Finding 9).

FIA had not established caseload standards for specialists or requested funding to maintain specialists' caseloads at acceptable levels to help reduce Program payment error rates and corresponding federal Program sanctions (Finding 10).

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Agency Responses:

Our audit report includes 11 findings and 12 corresponding recommendations. FIA's preliminary response stated that it agrees with our recommendations.

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A copy of the full report can be
obtained by calling 517.334.8050
or by visiting our Web site at:
www.state.mi.us/audgen/



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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

February 21, 2003

Ms. Nannette M. Bowler, Director
Family Independence Agency
Grand Tower
Lansing, Michigan

Dear Ms. Bowler:

This is our report on the performance audit of the Food Assistance Program, Family Independence Agency.

This report contains our report summary; description of program; audit objectives, scope, and methodology and agency responses; comments, findings, recommendations, and agency preliminary responses; two exhibits, presented as supplemental information; and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during the audit.

Sincerely,

A handwritten signature in black ink, reading "Thomas H. McTavish".

Thomas H. McTavish, C.P.A.
Auditor General

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Description of Program

The Food Assistance Program (Program*) operates under the federal Food Stamp Act of 1977. The Program's purpose is to end hunger and improve nutrition and health. The Program helps low-income households purchase the food they need for a nutritionally adequate diet.

The Food and Nutrition Service, U.S. Department of Agriculture, administers the Program at the federal level and the Family Independence Agency (FIA) administers the Program in Michigan. FIA's stated goal* for the Program is to raise the food purchasing power of low-income persons. FIA is responsible for determining applicant eligibility and providing benefits in the form of coupons or, as of July 2001, through electronic debit cards. The federal government funds 100% of the cost of the food assistance provided to recipients. The State and federal government generally share equally the administrative costs of operating the Program.

Under federal law, food assistance is an entitlement available to those who meet both financial and nonfinancial eligibility requirements. Applicants who FIA determines are eligible must receive Program benefits within 30 days of application unless they are eligible for expedited food assistance, which FIA must provide within 7 days of application to those who have little or no income. Generally, eligibility for and the amount of Program benefits depend on the income and the number of individuals in the household. In order to continue receiving Program benefits, recipients must regularly report and verify to FIA relevant eligibility information, such as current monthly income and allowable deductible expenses. In addition, recipients are to promptly report changes in household circumstances because such changes may affect the amount of benefits received. A recipient's failure to do so may result in the recipient paying back the value of any Program benefits received for which he or she was not eligible.

As of December 31, 2001, 3,654 specialists* located at 119 FIA local offices throughout the State were responsible for determining initial and continued eligibility of Program recipients and performing other functions related to the Program. These specialists also performed various functions related to other FIA assistance payment programs. In fiscal year 2000-01, an average of 275,000 households, representing 623,000 recipients, participated in the Program and received food assistance totaling \$505.8 million. Also during fiscal year 2000-01, FIA incurred \$182.2 million in Program administrative costs shared equally between FIA and the federal government.

* See glossary at end of report for definition.

Audit Objectives, Scope, and Methodology and Agency Responses

Audit Objectives

Our performance audit* of the Food Assistance Program (Program), Family Independence Agency (FIA), had the following objectives:

1. To assess the effectiveness* of FIA's efforts to maximize Program participation by eligible low-income households in order to improve their level of nutrition.
2. To assess the effectiveness of FIA in preventing and/or identifying Program payment errors and initiating appropriate corrective actions.
3. To assess FIA's effectiveness in controlling Program benefits for individuals convicted of drug felonies.

Audit Scope

Our audit scope was to examine the program and other records of the Food Assistance Program. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Audit Methodology

Our audit procedures were performed primarily from March 2001 through April 2002 and generally included an examination of Program records and activities for the period October 1, 1997 through December 31, 2001.

To accomplish our objectives, we reviewed applicable laws, regulations, policies, and procedures. We performed a preliminary survey of the Program, which included interviewing FIA and U.S. Department of Agriculture (USDA) staff and making inquiries of various stakeholder groups.

* See glossary at end of report for definition.

In connection with our first audit objective, we obtained information from the Michigan Department of Career Development, USDA, and U.S. Census Bureau regarding the number of individuals unemployed, receiving Program benefits, and living at or below the poverty threshold* for fiscal years 1989-90 through 1999-2000. We compared this information to assess Program participation trends for Michigan and other surrounding states. Also, we examined Program records and made inquiries of FIA central office and local office staff, USDA personnel, and stakeholder groups to assess FIA's outreach plans and efforts to increase Program participation. In addition, we surveyed all FIA local offices concerning local office outreach efforts. Further, we surveyed 775 former recipients, who had voluntarily left the Program, to obtain information regarding certain aspects of the Program.

In connection with the second audit objective, we reviewed USDA and FIA Program payment error rates and federal sanction information for fiscal years 1995-96 through 2000-01. Also, we analyzed changes in Program caseloads and how those changes impacted the payment error rates. In addition, we examined Program records, including FIA payment error corrective action and reinvestment plans submitted to the USDA, and made inquiries of FIA central office and local office staff and consultants. Further, we reviewed internal control* and policies and procedures at the FIA central office and 5 FIA local offices for identifying and reducing the risk of payment errors. Also, we examined a random sample of 311 recipient case records* at the 5 local offices to assess whether FIA staff had properly investigated and resolved possible instances of unreported recipient income, employment, and prison incarceration that may have affected Program benefits. The sampled case records were selected from possible recipient reporting errors identified by FIA through various computer data matches of its recipient database with records from the Department of Treasury, Unemployment Agency, U.S. Internal Revenue Service, and U.S. Social Security Administration. In addition, we conducted a computer data match of selected FIA recipient records with Department of Corrections records to assess how many Program recipients were under the supervision of the Department as of May 18, 2001 and, therefore, not eligible for Program benefits.

In connection with the third audit objective, we examined Program records and made inquiries of FIA central office and local office staff. We reviewed internal control and policies and procedures for identifying convicted drug felons* and preventing the misuse of Program benefits by convicted drug felons. Also, we conducted a computer data

* See glossary at end of report for definition.

match between FIA's recipient database and the Michigan Department of State Police's criminal history file to identify applicable Program recipients who had been convicted of a drug felony. From this population, we selected a random sample of recipient case records located at 5 FIA local offices to review certain assistance application information and the designation of an authorized representative. In addition, we conducted a separate computer data match between FIA's recipient database and the Michigan Department of State Police's criminal history file to identify the number of recipients who received Program benefits, had an applicable felony drug conviction, and did not have an authorized representative.

Agency Responses

Our audit report includes 11 findings and 12 corresponding recommendations. FIA's preliminary response stated that it agrees with our recommendations.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require FIA to develop a formal response to our findings and recommendations within 60 days after release of the audit report.

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

MAXIMIZATION OF PROGRAM PARTICIPATION

COMMENT

Audit Objective: To assess the effectiveness of the Family Independence Agency's (FIA's) efforts to maximize Food Assistance Program (Program) participation by eligible low-income households in order to improve their level of nutrition.

Conclusion: We concluded that FIA was marginally effective in maximizing Program participation by eligible low-income households in order to improve their level of nutrition. Our assessment disclosed one material condition*. FIA had not developed a Statewide recipient outreach plan to help increase Program participation (Finding 1).

Our assessment also disclosed a reportable condition* related to a former Program recipient survey (Finding 2).

FINDING

1. Recipient Outreach Plan

FIA had not developed a Statewide recipient outreach plan to help increase Program participation.

The federal Hunger Prevention Act of 1988 authorizes federal funds to match state funds (50/50 cost sharing) for optional recipient outreach activities that inform low-income households of the eligibility requirements, application procedures, and benefits of the Program. Outreach costs financed with private funds donated to a state may also be eligible for the federal match. Activities that qualify for the federal match include advertising in local newspapers, producing radio and television spots to be used as public service announcements, designing an outreach program, and monitoring local agencies' outreach performance. To obtain federal outreach

* See glossary at end of report for definition.

matching funds, a state must submit a plan to the regional office of the Food and Nutrition Service (FNS), U.S. Department of Agriculture (USDA), that includes details on the intended outreach activities, media to be used, target populations and geographic areas, and other organizations that would be involved in the effort.

An FNS letter, dated March 21, 2000, to FIA indicated that FNS was concerned about the State's recent decrease in the Program's caseload and lack of an outreach plan. The letter stated:

In an effort to improve our nation's health and nutrition, the United States Department of Agriculture, Food and Nutrition Service is encouraging outreach programs to reach people who are eligible for food stamps, but have not applied. Studies indicate that a significant number of persons eligible for food stamps are not participating.

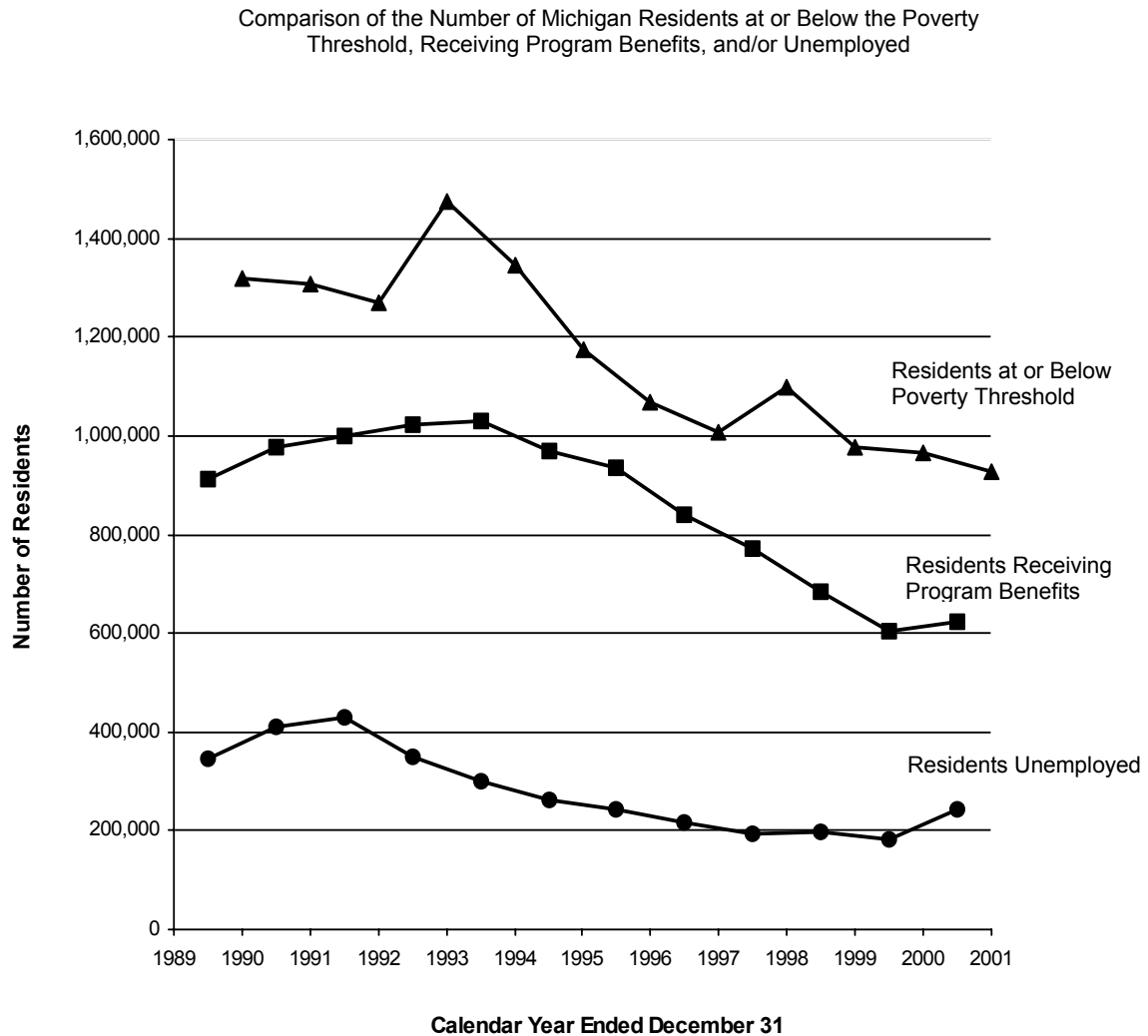
Historically, low-income working families, elderly households and rural populations have had low food stamp participation rates. In many cases, this can be traced to administrative and systemic obstacles in applying for the program. Access to food stamp offices for these populations often is undermined by the distances needed to travel, lack of evening hours of operation, and limited public transportation within a community. The complexity of the application itself and the application process may also deter many eligible households from applying. Food stamp outreach programs counteract these barriers.

Recent caseload decreases exceed the numbers of people who should be eligible for the food stamp program. In light of this, we encourage you to prepare an outreach plan and to undertake outreach efforts in accordance with an approved plan.

FNS's concern was corroborated by our analysis of Michigan Department of Career Development, FNS, and U.S. Census Bureau information regarding the number of individuals unemployed, receiving Program benefits, and living at or below the poverty threshold, respectively, for fiscal years 1989-90 through 2000-01. In fiscal years 1999-2000 and 2000-01, only 62% and 67%, respectively, of Michigan's citizens living at or below the poverty threshold participated in the Program. These participation rates were 29% and 19%, respectively, below fiscal year 1995-96, and the lowest two years for the 12-year period. Also, these participation rates, which

are based on the best available information, overstate the percentage of Michigan's eligible citizens that benefit from the Program because families and individuals with earnings up to 200% of the poverty threshold may be eligible to participate.

Poverty, Program participation, and unemployment, data is presented in the graph below:



- ▲ Average Number of Residents Living at or Below the Poverty Threshold for the Calendar Year
- Average Number of Residents Receiving Program Benefits for the Fiscal Year Ended September 30
- Average Number of Residents Unemployed for the Fiscal Year Ended September 30

As the graph illustrates, since fiscal year 1995-96, Program participation in Michigan has declined faster than both the number of individuals living at or below the poverty threshold and the number of individuals unemployed.

Also, within the State, the greatest difference between the percentage of individuals living in poverty and receiving Program benefits was in the State's more rural counties. For example, in fiscal year 1996-97 (the most recent year that county-by-county data was available), in the rural counties of Wexford and Missaukee, 27% of the population was living at or below the poverty threshold but only 8% of the population was receiving Program benefits. In contrast, in the urban counties of Wayne and Genesee, 18% and 14% of the population, respectively, was living at or below the poverty threshold while 15% and 12% of the population, respectively, was receiving Program benefits. National studies have indicated that individuals in rural areas have more transportation problems in getting to local offices administering food assistance programs and that there is more of a social stigma associated with receiving Program assistance. Thus, potentially eligible rural residents are less likely to seek and obtain Program benefits.

It appears from both Statewide and rural county information that Michigan may have a significant number of eligible individuals who are not enrolled in the Program. However, FIA had not investigated the cause for the decline in Program participation, identified specific counties or areas where Program participation is particularly low, and developed an appropriate Statewide outreach plan. Also, although FIA formed a central office committee in fiscal year 2000-01 to determine ways to increase Program participation, the committee met only twice and then disbanded. In addition, subsequent to our distribution of a survey to all FIA local offices regarding their outreach efforts, FIA issued a policy directive (L-Letter 01-166, Exhibit A) in September 2001 that stated, "Our first priority is to support current customers as they progress toward economic independence." and "Local offices are not to establish formal outreach plans nor establish targets for increased program participation." Further, our visits to 5 local offices disclosed that most local offices had conducted limited outreach efforts, such as passing out Program literature at the local offices and making infrequent visits to senior centers and other sites where potentially eligible recipients may visit or reside. One county director stated, in response to our survey and after the issuance of L-Letter 01-166, "It seems very strange you are surveying outreach information when our agency has said we are not to do outreach locally." Statewide, FIA's outreach efforts were limited to distributing posters, flyers, and brochures to a number of organizations as

part of a national outreach effort and providing support to two organizations conducting studies at a limited number of locations on effective outreach methods.

FIA informed us that it did not develop a Statewide recipient outreach plan because it did not have sufficient administrative resources to adequately service the additional Program participants that outreach might generate. Also, FIA stated that the additional participants could have a negative impact on how well current participants are served and result in higher federal sanctions from increased Program payment errors (see Finding 3).

We concur that a successful Statewide outreach plan could have a negative impact on current participants and increase the risk of higher federal sanctions if additional resources are not available. However, by implementing planned corrective actions to improve internal control (Findings 4 through 9), FIA should be able to improve its Program administrative effectiveness and efficiency. Also, establishing caseload standards for specialists and requesting funding to maintain specialists' caseloads at acceptable levels (Finding 10) should help ensure that the Program's goal of raising the food purchasing power of low-income persons is attainable for all eligible Michigan citizens.

RECOMMENDATION

We recommend that FIA develop a Statewide recipient outreach plan to help increase Program participation.

AGENCY PRELIMINARY RESPONSE

FIA agrees with this recommendation.

FIA acknowledges the value of a Statewide outreach plan for potential customers and will pursue outreach activities including increasing the availability of Web-based program eligibility screening to encourage program application. FIA expects that formal outreach activities will result in increased applications and ongoing approved cases. This caseload increase will directly impact on the workload of current Family Independence Specialist/Eligibility Specialist (FIS/ES) staffing resources. The FIS/ES workload study discussed in response to Finding 10 will identify the extent of this impact and the need for additional resources based on outreach plan results. If the agency is to increase service provision, an acknowledgement of the workload impact is needed.

In lieu of a formal plan during the audit review period, FIA very carefully managed outreach efforts with resources available. In addition, FIA did make significant efforts to serve those needing food assistance by distributing literature and working with other human services agencies that could inform potential customers where food assistance was available. For example, FIA distributed approximately 5,000 posters, 67,000 brochures, and 25,000 pamphlets to such agencies as the Michigan State University Extension Offices, Office on Aging, Food Bank Council, Social Security Administrative Offices, Community Action Agencies, FIA local offices, and the cities of Detroit and Grand Rapids. These human services agencies are where those in need turn for assistance. Inserts were also included with Medical Assistance warrants and payments to day care providers. In addition, reading L-Letter 01-166 (see Exhibit A) in its entirety demonstrates the numerous outreach activities provided by local FIA offices.

FINDING

2. Former Program Recipient Survey

FIA should survey recipients who voluntarily leave the Program and evaluate the survey information to help determine whether Program improvements are needed to increase overall participation.

FIA's vision statement* provides that "The FIA will be the national leader in human services delivery through employee commitment, customer focus, technology, innovation and effective partnerships." Obtaining continual feedback from customers to identify both real and perceived concerns regarding the Program is necessary in order to make pertinent improvements to the Program and, therefore, provide more customer-focused human services delivery.

FIA's Office of Quality Control and Special Projects conducts ongoing telephone surveys of current FIA recipients to help improve, among other things, customer satisfaction. However, the Office does not contact recently departed Program recipients, who could provide additional feedback regarding Program operations.

In September 2001, we mailed surveys to 775 former Program recipients that FIA identified as having voluntarily left the Program between May 1, 2001 and July 31,

* See glossary at end of report for definition.

2001. We surveyed these former recipients because of their potential to be eligible at the time they voluntarily left the Program and to identify the reason(s) for their departure. Of the 212 survey responses received (see summary of survey results, presented as supplemental information), 28 (13%) respondents indicated that they had returned to the Program and 184 (87%) respondents indicated that they had not returned to the Program. Following are certain responses from the 184 respondents who had not returned to the Program:

- a. When asked why the recipient was no longer enrolled in the Program, 68 (37%) respondents indicated that "My wage earnings increased," 63 (34%) indicated that "The amount of Food Stamp benefits that I was receiving was not worth my time and effort to remain in the Food Stamp Program," 21 (11%) respondents indicated that "I was embarrassed to be receiving Food Stamps," and 10 (5%) respondents indicated that "I did not like my bridge card* (EBT card)."
- b. When asked if they were still eligible for food stamp benefits when they left the Program, 79 (43%) respondents indicated "Yes," 69 (38%) indicated "I do not know," and 31 (17%) indicated "No."
- c. When asked to rate the service they received from their food stamp specialist, 126 (68%) respondents stated that the service was "Good" or "Very good," 36 (20%) stated the service was "Acceptable," and 20 (11%) stated that the service was "Bad" or "Very bad." The most common responses noted for the positive ratings were that the specialist was courteous, helpful, and encouraging. The most common responses for the acceptable to negative ratings were that the specialist was rude, provided poor treatment, was hard to get in touch with, and did not return calls.

The survey responses indicated that a significant number of respondents were still eligible to remain in the Program but chose not to participate because of some aspect of the Program or lack of service provided by FIA. Because the Program is crucial to reducing hunger and improving nutrition among low-income individuals living in Michigan, FIA's inclusion of former recipients who voluntarily leave the Program in its ongoing telephone surveys would be a useful management tool for helping to improve the Program and increasing overall participation.

* See glossary at end of report for definition.

RECOMMENDATION

We recommend that FIA survey recipients who voluntarily leave the Program and evaluate the survey information to help determine whether Program improvements are needed to increase overall participation.

AGENCY PRELIMINARY RESPONSE

FIA agrees with the recommendation. However, at the current time, FIA does not believe that the resources needed to conduct such surveys would be the best use of limited resources in administering the Program.

EPILOGUE

We are not recommending that FIA allocate additional Program resources to survey former Program recipients. Rather, FIA should restructure its ongoing telephone surveys to include both current and former Program recipients.

PREVENTION AND/OR IDENTIFICATION OF PROGRAM PAYMENT ERRORS

COMMENT

Audit Objective: To assess the effectiveness of FIA in preventing and/or identifying Program payment errors and initiating appropriate corrective actions.

Conclusion: We concluded that FIA was not effective in preventing and/or identifying Program payment errors and initiating appropriate corrective actions. Our assessment disclosed two material conditions. FIA did not achieve acceptable Program payment error rates, which has resulted in substantial federal financial sanctions and may result in additional sanctions (Finding 3). Also, FIA had not implemented effective internal controls for reducing Program payment errors (Finding 4).

Our assessment also disclosed reportable conditions related to supervisory case reads, wage match process, new hires database match, U.S. Internal Revenue Service (IRS) data matches, benefits for incarcerated recipients, and specialists' caseloads (Findings 5 through 10).

FINDING

3. Program Payment Error Rates and Federal Sanctions

FIA did not achieve acceptable Program payment error rates, which has resulted in substantial federal financial sanctions and may result in additional sanctions.

Title 7, Part 275, section 23(e) of the *Code of Federal Regulations* establishes a state's sanction and liability to the USDA when the Program payment error rate is above the national average. Errors, both agency and recipient caused, occur when FIA makes Program payments that are more or less than the recipient was eligible to receive. FIA's Office of Quality Control and Special Projects is primarily responsible for determining the Program payment error rate in accordance with federal regulations.

The following table shows the national average Program payment error rates, Michigan's Program payment error rates, the difference between the national and Michigan's Program payment error rates, the variance from the national average, and Michigan's corresponding sanctions for fiscal years 1995-96 through 2000-01:

	<u>Program Payment Error Rates and Federal Sanctions</u>					
	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-2000</u>	<u>2000-01</u>
National Average	9.22%	9.88%	10.69%	9.88%	8.91%	8.66%
Michigan	11.23%	11.89%	17.67%	17.59%	13.28%	13.93%
Difference	+2.01%	+2.01%	+6.98%	+7.71%	+4.37%	+5.27%
Variance	21.8%	20.3%	65.3%	78.0%	49.0%	60.9%
Sanction	\$3,338,777	\$2,770,968	\$15,756,414	\$19,772,853	\$8,953,811	\$13,920,642

For fiscal years 1997-98 and 1998-99, Michigan had the highest Program payment error rates of any state in the nation. FIA attributed the high payment error rates to the loss of experienced staff that occurred as a result of the State's 1997 early out retirement program, changes in Program policies and procedures, increases in the number of Program recipients working with unstable incomes, and computer equipment and data system changes and problems.

As shown in the table, the USDA sanctioned Michigan \$64.5 million for fiscal years 1995-96 through 2000-01. To reduce these federal sanctions, FIA entered into settlement agreements with the USDA whereby it would use approximately \$26.7 million of State funds through the first quarter of fiscal year 2003-04 to initiate various activities to reduce the payment error rate. These "reinvestment" activities included establishing specialized teams of FIA staff to conduct case reads at local offices with high payment error rates to identify and correct payment errors, establishing a training unit dedicated to providing payment accuracy training to staff, using staff overtime to conduct case reads and other activities to improve payment accuracy, and funding computer systems and computer equipment enhancements to provide staff with more accurate and timely information.

In addition to FIA's reinvestment activities, the USDA agreed to waive \$20,898,550 of the fiscal years 1997-98 through 1999-2000 sanctions if FIA met certain Program payment error rate targets for fiscal years 1999-2000 through 2002-03. The USDA established one or two declining error rate targets related to prior year sanctions for each of the four fiscal years. The USDA generally set the target error rates above the national average. However, for fiscal year 2002-03, the USDA reduced the target error rate to the national average.

FIA succeeded in reducing its Program payment error rate from 17.59% in fiscal year 1998-99 to 13.28% in fiscal year 1999-2000, which was below the target rate of 15.67%. As a result, the USDA waived \$2.6 million of the fiscal year 1997-98 sanction. However, for fiscal year 2000-01, the Program payment error rate increased to 13.93%. Therefore, FIA did not achieve its fiscal year 2000-01 target rates of 13.67% and 11.67% to reduce part of the sanctions for fiscal years 1997-98 and 1998-99, respectively. As a result, FIA was held liable for \$5.6 million of the sanctions for these two fiscal years. Also, the Program payment error rate for the first quarter of fiscal year 2001-02 increased to 14.14%. As a result, it is probable that FIA will not achieve its target rates and will be liable for an additional \$5.6 million in fiscal year 1997-98 and 1998-99 sanctions.

FIA's inability to significantly reduce its Program error rate despite its reinvestment activities, the risk of not having imposed sanctions waived, and incurring additional sanctions is primarily the result of internal controls that are not effective or FIA's failure to comply with prescribed internal controls. As noted in Findings 4 through 9, these conditions contributed to the Program's unacceptable payment error rate. In addition, as noted in Finding 10, an increasing Program caseload also likely

contributed to Michigan's inability to significantly reduce its Program payment error rate.

RECOMMENDATION

We recommend that FIA take appropriate action to achieve acceptable Program payment error rates.

AGENCY PRELIMINARY RESPONSE

FIA agrees with the recommendation and will comply. FIA informed us that it continues to implement new strategies in order to increase Program payment accuracy. Current payment accuracy strategies are being defined by chartered work groups consisting of representation across FIA. The following is a list of work group activities that will improve Program payment accuracy:

- a. Workload Management - This group has provided a number of options to address workload reductions to allow workers to concentrate on improving payment accuracy. Field implementation is ongoing.
- b. Change Centers - This work group is coordinating the implementation of a change center pilot in five field locations. The change center process provides an opportunity to manage client-reported changes, thus decreasing our agency failure-to-act errors. The change center concept will also encourage client reporting, thus decreasing client failure-to-report errors. All five pilots should be in operation by March 2003.
- c. Client Error Strategies - This work group is providing oversight on various payment accuracy initiatives, such as front end eligibility and interviewing for accuracy.
- d. Performance Management Strategies - In order to create an environment of continuous improvement and to address professional growth, performance standards are being instituted for January 2003. These standards will be incorporated in performance management and development programs and performance architect. In addition, all local offices with a Program error rate over 8% must submit a performance improvement plan (PIP) that will establish local office strategies for payment accuracy improvement. PIPs must also

specify performance measurements and plan evaluation methods and be submitted for approval by mid-February 2003.

- e. Policy Simplification and Information Technology Solutions - This work group focused on workload reduction and policy simplification. Its recommendations focused on the use of technology to assist in the determination of eligibility. This work group also incorporated options from the recent federal 2003 Farm Bill that will allow FIA to substantially increase the number of clients considered as simplified reporters.

FINDING

4. Program Internal Controls

FIA had not implemented effective internal controls for reducing Program payment errors.

Sections 18.1483 - 18.1485 of the *Michigan Compiled Laws* require FIA to establish and maintain an internal accounting and administrative control system that includes internal control techniques that are effective in safeguarding assets and encouraging adherence to prescribed managerial policies and procedures. The statute also requires that FIA document the control system, communicate system requirements to employees, and ensure that the system is functioning as prescribed. Further, the statute requires FIA to report biennially to the Governor, legislative leaders, and others on its evaluation of internal controls.

To comply with the statute, FIA developed internal control criteria that prescribed a system of desired and alternate controls for FIA's local offices to use to reduce the risk of payment errors for the Program and other assistance payment programs. Also, FIA required local offices to conduct biennial internal control self-assessments to determine if the desired or alternate controls had been implemented and to report the results of the self-assessments to FIA management for evaluation.

FIA's prescribed local office Program internal controls included:

- a. Performing mandated targeted case reads to ensure that documentation was in the recipient case record to support Program payments.

- b. Developing, implementing, and monitoring corrective action plans to address general deficiencies noted as a result of the case reads and audits.
- c. Supervisory monitoring of the wage match process to ensure that specialists had appropriately investigated and resolved instances of possible unreported recipient wage earnings.
- d. Supervisory monitoring of the new hires database match process to ensure that specialists had appropriately investigated and resolved instances of possible unreported recipient employment.
- e. Communicating to specialists the importance of following up on recipient wage match and new hires database match information from the Department of Treasury and the Unemployment Agency, Department of Consumer and Industry Services, to identify unreported recipient wage earnings.

Local offices conducted biennial internal control self-assessments during fall 2000 and reported their results to FIA management. Based on the local office self-assessments, FIA reported on May 1, 2001 to the Governor, legislative leaders, and others that FIA's internal controls in effect during the year ended September 30, 2000 complied with the statutory requirements to provide reasonable assurance that measures were being used to safeguard assets and encourage adherence to prescribed managerial policies. Individually, each of the 5 local offices we visited during our audit reported to FIA management that either the desired or alternate controls had been implemented.

However, we noted that all 5 local offices either had not implemented or did not maintain the controls they reported having implemented in their self-assessments. Specifically, our review disclosed:

- a) None of the 5 local offices conducted the required number of central office-mandated or local office-mandated case reads.

As described in Finding 6, for the period January 1, 2001 through September 30, 2001, family independence managers (FIMs) frequently did not conduct the required number of case reads. In their self-assessments, all 5 local offices asserted that the required number of case reads had been conducted.

Although not specifically prescribed by FIA management as a desired or alternate control, we also determined that FIA had not implemented effective internal controls to ensure that local offices conducted the required number of mandated case reads. Our review disclosed:

- (1) Local offices entered central office-mandated case read results into a Statewide database. However, as of the completion of our audit fieldwork, FIA had not reviewed the database to determine whether local offices had conducted the required number of case reads.
- (2) FIA's zone managers, who are responsible for monitoring local office operations, generally required local offices to report monthly on the number of mandated case reads completed. Our comparison of local office case read information reported to the zone managers and local office case read records disclosed:
 - (a) One local office inappropriately reported that its nine FIMs had each met the local requirement of 32 case reads per month. For the three-month period April through June 2001, local office records disclosed that the nine FIMs did not meet the 32-case-read requirement in 21 (78%) of 27 monthly reporting periods. The average number of case reads completed per FIM was 22.1 per month and the number of case reads completed ranged from 3 to 40 per month. The zone manager did not verify the accuracy of the local office's reported control activities.
 - (b) One local office frequently reported the number of case reads that it anticipated its FIMs would conduct rather than the actual number of case reads conducted. As a result, the local office's reported number of case reads conducted was often erroneously inflated (see Finding 5.b.). Also, when the local office did report the "actual" rather than anticipated number of case reads, the actual number was often incorrect. The zone manager did not verify the accuracy of the local office's control activities.
 - (c) One local office did not report to the zone manager the number of case reads conducted in 4 of the 7 months reviewed for the period January through July 2001. Although the local office had conducted

some case reads in each of the 4 months, the total number of case reads conducted either was not documented or did not meet local office mandates. The zone manager did not initiate any action to obtain this information or determine why the local office had not submitted the information.

- b) Management at 4 of the 5 local offices did not develop and implement corrective action plans to address operational and internal control deficiencies identified from case reads.

The 4 local offices had asserted in the internal control self-assessments that management had developed and implemented corrective action plans to address noted deficiencies, as necessary. However, management at the 4 local offices informed us that they had not developed any corrective action plans as a result of local office case reads.

Also, management at 3 of the 4 local offices could not provide any evidence that they had analyzed case reads in order to identify trends or problem areas that may have needed a corrective action plan. Two of the 4 local offices had Program payment inaccuracy rates that were among the highest in the State. An analysis of case reads would have likely identified deficiencies in local office operations that required a corrective action plan. These deficiencies in local office operations most likely continued to occur because corrective action plans were not developed and implemented.

- c) FIMs at 4 of the 5 local offices did not routinely monitor whether specialists had appropriately investigated and resolved instances of unreported recipient wage earnings identified from FIA's wage match process.

The 4 local offices had asserted in the internal control self-assessments that FIMs monitored the wage match process through the use of management reports and/or case reads. However, FIMs at the 4 offices informed us that they did not routinely conduct such monitoring. We also found that specialists at these local offices frequently did not investigate and resolve instances of unreported recipient wages identified from the wage match process (see Finding 6.a.). The lack of FIMs' monitoring of specialists most likely contributed to the lack of appropriate and timely recipient wage match investigations and resolutions.

- d) FIMs at 4 of the 5 local offices did not routinely monitor whether specialists had appropriately investigated and resolved instances of new recipient employment identified from FIA's new hires database match process.

The 4 local offices had asserted in the internal control self-assessments that FIMs monitored the new hires database match process. However, FIMs at the 4 offices informed us that they did not routinely conduct such monitoring. Our analysis of FIA's database for new hires database matches with the Department of Treasury disclosed that the 4 local offices did not investigate and resolve 378 (8%) of the 4,663 data matches for the period January 1, 2001 through July 26, 2001. Also, the 4 local offices did not resolve 2,186 (47%) of the 4,663 data matches on a timely basis. In addition, specialists from 3 local offices frequently did not properly investigate and resolve new hires database matches (see Finding 7.b.). The lack of FIMs' monitoring of the specialists most likely contributed to the lack of appropriate and timely recipient new hires database match investigations and resolutions.

- e) Management at 2 of the 5 local offices had not stressed the importance of wage match and new hires database match reviews.

Management at the 2 local offices informed us that the investigation of recipients identified from these data matches was not a high priority. The lack of communications to specialists and management's general attitude regarding the data match reviews at the local offices did not promote the importance of the two data match processes as prescribed in FIA's internal control criteria.

Management at 1 of the local offices informed us that the reason it had inappropriately reported that certain internal controls were in place, as noted in items a) through d), was that management planned to implement the desired controls during the upcoming fiscal year.

The failure of FIA management to ensure that desired or alternate controls were actually implemented is a material internal control weakness. As a result, the exceptions noted would not have been detected and corrected within FIA's normal operations. This material weakness significantly contributed to FIA's continued high Program payment error rate.

RECOMMENDATION

We recommend that FIA implement effective internal controls for reducing Program payment errors.

AGENCY PRELIMINARY RESPONSE

FIA agrees with the recommendation. FIA informed us that it is committed to quality customer service through payment accuracy. For recipients, payment accuracy ensures that customers are receiving correct benefits to improve their health through improved nutrition and avoids repayments. For the taxpayer, payment accuracy ensures efficient and accurate use of taxpayer monies. Internal program controls are one of the tools necessary to accomplish that reduction. Prior to the results of the performance audit, as part of payment management strategies, FIA developed plans for improvement of internal controls, illustrated as follows:

- a. The case reading format was improved to be more efficient and effective by focusing on error-prone areas and identifying the type of error and the reason for the error. The case reading results have been automated to provide the data to local offices. The data collection includes an automated report detailing the number of cases read against agency expectations.
- b. In March 2002, the data from case readings was utilized by FIA's largest 14 county offices to develop their own PIPs, which were approved in August 2002. PIPs will be due from the remaining county offices in January 2003. Policies have been established to have a quarterly update of plans.
- c. In comparison to the new hire reports, wage match reports have limited value. Approximately 22,000 reports monthly are sent to the field for review. In the six-month period for quality control sample months from December through May, there were no errors found as a result of the wage match reports. For that reason, to increase efficiency and effectiveness, FIA will review only those matches in excess of \$2,000.
- d. New hire reports are the most effective of the tape matches available to FIA. As a part of the information technology solutions to payment accuracy, new hire reports will automatically be channeled through a change center concept process that will automatically monitor reports to ensure they have been appropriately addressed.

FINDING

5. Supervisory Case Reads

FIA supervisory staff frequently did not conduct required case reads to identify and correct existing Program payment errors and FIA local office internal control weaknesses that caused the errors.

FIA estimates that 66% of all Program payment errors are agency errors resulting from specialists inaccurately determining recipient eligibility or the amount of recipient benefits. FIA has identified supervisory case reads of recipient case records as its primary internal control to identify and/or prevent such agency-caused Program errors.

FIA Program Administrative Manual (PAM) item 301 defines a case read as a review of the information in the recipient case record to determine whether a local office specialist correctly applied policy in a timely manner in determining a recipient's Program eligibility and/or benefits. PAM item 301 also provides general guidance on case read activities and allows FIA local offices to require supervisory staff to periodically or routinely conduct case reads when determined necessary. Further, FIA management periodically issues case read directives for local offices.

Our review of case read activities for the period January 1, 2001 through September 30, 2001 at 5 local offices disclosed:

- a. FIMs frequently did not conduct the targeted number of case reads required by a FIA case read directive.

FIM responsibilities include the direct supervision of specialists. FIA management issued a case read directive (L-Letter 01-098) in June 2001 that required each FIM to read a minimum of 2 recipient cases per month for each specialist supervised for the three-month period ending September 30, 2001. However, the directive limited the case reads that a FIM had to conduct to 48 for the three-month period even if the FIM supervised more than 8 specialists. Also, the directive required FIMs to focus on error-prone areas predetermined by management when conducting the targeted case reads. After completing the case reads, FIMs were to enter the results in a Statewide database for subsequent management analysis.

Our analysis of the Statewide case read database disclosed that 27 (56%) of the 48 FIMs in the 5 local offices did not meet the minimum case read requirement. For the 27 FIMs, the average number of case reads completed per specialist for the three-month period was 3.6, or 40% less than the 6 required, and ranged from 0 to 5.8.

- b. FIMs at local offices frequently did not conduct general and specific case reads as required by local office mandates.

Management at the 5 local offices visited required FIMs to conduct a minimum of 2 to 5 case reads per month for each specialist supervised depending on whether the entire case or certain error-prone areas were reviewed. For the six-month period ended June 30, 2001, we determined that FIMs at the 5 local offices had not conducted 2,922 (38%) of the 7,718 required case reads. The percentage of required case reads that FIMs did not conduct ranged from 6% to 91%.

Although the identified case read shortfall is significant, the actual shortfall may be greater because local offices sometimes erroneously inflated the number of case reads reported to FIA management. For example, one local office frequently reported the number of case reads that it anticipated that its FIMs would conduct rather than the actual number of case reads conducted. We could not quantify the total number of case reads that the local offices overreported because the local offices generally did not maintain detailed records on the case reads that each FIM conducted. However, our analysis of case read forms and logs of one FIM for one month disclosed that the FIM could only support that 16 (46%) of the 35 reported case reads had been conducted.

- c. Mid-level managers at FIA local offices frequently did not conduct rereads of FIMs' case reads as required by some local office mandates.

Management at 4 of the 5 local offices visited required their mid-level managers to reread a minimum of either 10 FIM case reads or 5% of the FIM case reads each month. The rereads were conducted to determine that FIMs correctly applied Program policies and procedures during the first case read and that specialists corrected all identified errors in a timely manner.

For the six-month period ended June 30, 2001, we determined that mid-level managers at 3 of the 4 local offices did not conduct any case rereads and mid-level managers at the other local office did not conduct 20% of the required case rereads. In total, mid-level managers at the 4 local offices conducted only 43 (22%) of the required 199 case rereads. Also, management at the one local office that did conduct mid-level manager case rereads stated that it had identified instances in which FIMs did not conduct some case reads that were reported as completed. Further, at the one local office where management did not require mid-level managers to conduct rereads, 3 of 12 FIMs conducted zero FIA targeted case reads contrary to the FIA case read directive noted in item a. Local office management was not aware of the FIM noncompliance at the time our visit.

FIA's failure to implement effective internal controls, as noted in Finding 5, contributed to the noncompliance with case read requirements. Also, FIA's failure to conduct the minimum number of case reads increases both the risk of not detecting Program payment errors in a timely manner and the local office internal control weaknesses that caused the errors.

RECOMMENDATION

We recommend that FIA supervisory staff conduct required case reads to identify and correct existing Program payment errors and FIA local office internal control weaknesses that caused the errors.

AGENCY PRELIMINARY RESPONSE

FIA agrees with the recommendation and stated that it has complied. FIA informed us that it recognizes the value of case reading by supervisory staff to review worker performance and to provide data for program improvement at the local office level.

FIA informed us that it has made significant progress. Beginning February 4, 2002, FIA implemented a required case reading of all cases with benefits at or proposed to be in excess of \$300 monthly in those big 14 counties where quality control data demonstrated an error rate greater than 8%. This reading reviewed 28,600 cases with all needed corrections being completed by March 22, 2002. Corrections made as the result of the sweep resulted in a monthly cost avoidance of approximately \$1,666,000 in food assistance benefits monthly. FIA stated that, as important as the cost avoidance, it obtained a significant amount of automated data for

managers, which included error causal factors, frequency of errors, and worker/unit/section/county performance. FIA is now able to identify performance by all levels of FIA and is no longer dependent upon counties manually reporting reading data. That information is available on-line.

FIA informed us that, using similar technology, it developed a "hit list" of approximately 44,500 possible error cases that was distributed to all local offices Statewide on June 3, 2002. The lists identified cases where the certification period appeared to be in error, where shelter costs significantly exceeded income, where active Program cases had not had a budget completed since April 2001, or where two to four Program cases were reported at the same address with different workers. The list was reviewed and corrections made that produced cost avoidance of approximately \$802,000 monthly. Again, FIA had the ability to track the review status of each of the cases through all levels of FIA.

In summary, FIA informed us that it now has a case reading system that provides for on-line input by the supervisors and allows FIA to track all readings, findings, and needed corrections. With this information, the county directors and zones can follow up and address any individual county, section, or unit performance issues.

FINDING

6. Wage Match Process

FIA frequently did not investigate and resolve differences between Program recipients' actual wages and wages reported to FIA by the recipient in compliance with established policies and procedures.

Recipients' wages reported to FIA are the primary factor in determining Program eligibility and the amount of benefits. Therefore, FIA's efforts to determine the accuracy of recipients' reported wages are critical to reduce and/or recoup Program overpayments or to increase benefits when appropriate.

FIA conducts a quarterly computer data match that compares employee wages that employers report to the Unemployment Agency, Department of Consumer and Industry Services, and wage earnings that recipients report to FIA. FIA produces a quarterly wage match report that identifies those recipients for whom the Unemployment Agency's reported wages exceed the recipients' reported wages by

an established threshold. FIA's policies and procedures require local office specialists to investigate recipient wage match differences and take corrective action to adjust a recipient's benefits and/or initiate recoupment for Program overpayments when appropriate. FIA management considers this quarterly wage match process to be a key internal control in its efforts to reduce and recoup Program overpayments.

For the quarter ended September 30, 2000, FIA identified 2,004 recipient wage match differences that were referred in January 2001 to the 5 local offices we visited in fall 2001. Our review of local office specialists' actions for 50 randomly selected recipient wage match differences disclosed:

- a. Specialists did not investigate and resolve wage match differences for 12 (24%) of the 50 recipients.

PAM item 802 and Local Office Reports (LOR) Manual item UB-120 require local office specialists to examine the recipient case record or contact the recipient and/or employer to determine whether the recipient had reported the correct wage earnings to FIA and report the results of the investigation on the Client Information System (CIS) and in the recipient case record. We found no evidence on CIS or in the recipient case records that specialists had investigated and resolved the recipient wage match differences.

- b. Specialists inaccurately reported or could not support wage match difference resolutions for 10 (20%) of the 50 recipients.

Specialists incorrectly reported that the wage match differences were previously budgeted for 6 of these 10 recipients. We determined that the Unemployment Agency reported wages were not reflected in the recipients' budgets. Also, PAM item 802 and LOR Manual item UB-120 require a thorough investigation of a wage match difference and a proper recording of the investigation disposition for placement in the case record. Our review disclosed little or no evidence that specialists had conducted a thorough investigation for these 10 wage match differences.

- c. Specialists did not resolve the wage match differences on a timely basis for 8 (29%) of the 28 recipients who were investigated.

PAM item 802 and LOR Manual item UB-120 require that specialists resolve wage match differences within 45 days of receipt of the wage match report. We noted that the specialists had resolved the 8 wage match differences from 7 to 123 days after the 45-day requirement for an average of 41 days late. Completing an investigation on a timely basis is important to help enable FIA to recoup Program overpayments.

Also, FIA policy does not clearly define whether local offices are to classify a wage match error as an "agency error", a "client error", or a combination of the two when a specialist does not complete the investigation within the 45-day requirement. FIA stated that specialists classify wage match errors using all three methods. The proper classification of a completed wage match investigation is important to help ensure that recoupment is attempted when appropriate because there is no minimum threshold for most client errors.

In addition, untimely and inappropriate classification of wage match investigations sometimes results in recoupments not being made, as the dollar threshold for recovering agency errors is higher than for recovering client errors. Also, inappropriate wage match classifications may result in specialists improperly reducing their workloads and the effectiveness of recoupment as a Program deterrent to decrease client errors.

Of the 50 recipient wage match differences reviewed at the 5 local offices, we determined that as many as 30 (60%) were not resolved in a proper manner and/or on a timely basis. The wage match differences averaged \$1,493 per recipient and the percentage of referrals not resolved in a proper manner and/or on a timely basis at each office ranged from 30% to 80%. The lack of supervisory monitoring of specialists, as noted in Finding 5.c., would contribute to this high exception rate. Also, local office management stated that specialists in some local offices have the perception that wage match investigations are a low priority.

In addition, our January 2001 report on the performance audit of the Office of Inspector General and Related Complaint Referral and Disposition Processes, Family Independence Agency, included a finding and corresponding recommendation regarding deficiencies in FIA's wage match process. FIA agreed and indicated that it would comply with our recommendation. Based on items a. through c. of this finding, we conclude that FIA's corrective actions to date have not been effective. Further, although considered a key element of FIA's Program

internal controls, we conclude that the effectiveness of FIA's wage match process is limited and FIA continues to be at risk for a high rate of Program overpayments that will not be detected and resolved.

RECOMMENDATION

We recommend that FIA investigate and resolve differences between Program recipients' actual wages and wages reported to FIA by the recipient in compliance with established policies and procedures.

AGENCY PRELIMINARY RESPONSE

FIA agrees that wage match resolution should occur. FIA informed us that in terms of procedures and system support for data match processes, including the wage match, it is investigating a more unified presentation of match results to field staff to increase the efficiency of the reduced staff.

FINDING

7. New Hires Database Match

FIA frequently did not comply with established policies and procedures to investigate and resolve database matches that identify Program recipients who may not have reported new employment.

FIA has determined that recipient failure to report new employment is the single greatest cause for FIA's Program overpayment error rate. FIA estimated that approximately 13% of all overpayments are attributable to this one type of "client error." Therefore, FIA's efforts to promptly identify recipients who obtain employment or change employment are critical in helping to reduce the Program overpayment error rate and to recoup overpayments.

FIA conducts a daily computer data match that compares the Department of Treasury's new hires database, compiled from employers' tax withholding records, with CIS. Employers are required to report all new employees' withholding information and all employees' withholding changes to the Department of Treasury within 20 days of their date of hire or change, respectively. FIA transmits all new hires database matches on FIA's Local Office Automation II (LOA2) information system to local office specialists.

PAM item 807 requires specialists to investigate all the new hires database matches and determine if recipients identified on the match actually obtained new employment and if the recipients had notified FIA of the resulting income change for inclusion in the determination of their Program benefits. Also, PAM item 807 requires specialists to contact recipients immediately if the new employment was not reported, to assess the amount of any new income, and to adjust the recipients' budget if appropriate. In addition, the specialists are to close the cases if the recipients do not respond timely to the specialists' inquiries. If overpayments occurred, specialists are to initiate action to recover the overpayments within 60 days. Further, PAM item 807 requires specialists to complete their investigations within 15 calendar days and report the disposition on LOA2 which allows management to monitor the specialists' resolution of new hires database matches.

Our review of new hires database matches disclosed:

- a. Specialists often did not investigate and resolve new hires database matches or resolve on a timely basis matches that were investigated.

FIA's daily new hires database matches identified 54,986 possible new hires from January 1, 2001 through July 26, 2001. Our computer analysis of the new hires database and LOA2 disclosed:

- (1) Specialists did not investigate and resolve 3,574 (6%) of the new hires database matches.
 - (2) Specialists did not resolve 22,198 (40%) of the new hires database matches on a timely basis. These untimely resolutions ranged from 1 to 187 days and were completed an average of 27 days after the 15-day requirement.
- b. Specialists often reported incorrect disposition information on LOA2.

Our review of a random sample of 30 new hires database matches at 3 FIA local offices, which specialists reported as resolved within the required 15-day

requirement, disclosed deficiencies in the investigation and resolution for 10 (33%) of the 30 matches:

- (1) Specialists inaccurately reported or could not support new hire database match resolutions for 5 (17%) new hires.

Specialists reported that either the database match resulted in their budgeting new income for the recipient or the recipient had previously reported the employment to FIA. We found no evidence in the case records that either of these events had occurred for the 5 recipients. Also, we found little or no evidence that the specialists had conducted investigations for the 5 new hire database matches. Therefore, it appeared that the specialists "disposed" of the new hire database matches to meet the 15-day requirement.

- (2) A specialist did not close a recipient case as reported on LOA2.

The specialist contacted the recipient and requested employment information based on the new hires database match, but the recipient did not respond. As a result, the specialist reported on LOA2 that the case was closed. However, the specialist did not close the case and the recipient inappropriately continued to receive Program benefits.

- (3) Specialists did not close 4 (13%) new hires database match resolutions on a timely basis as reported on LOA2.

The specialists actually resolved the 4 data matches from 5 to 11 days late. It appeared that the specialists reported the timely resolution on LOA2 to meet the 15-day requirement.

- c. FIA's monitoring of specialists' new hires database match activities was not effective.

Supervisory staff at 2 of the 5 local offices visited were either unaware of or did not know how to use the various LOA2 management reports to monitor specialists' new hires database match investigations and resolutions. Also, the director and managers at one local office stated that some managers and specialists lacked basic computer knowledge and were not capable of using

the new hires database on LOA2. In addition, supervisors at 4 of the 5 local offices stated that they did not routinely monitor specialists' activities related to new hires database matches. Further, staff at 2 of 5 local offices stated that the resolution of new hires database matches was not a priority.

The issues identified in this finding significantly impair the effectiveness of FIA's new hires database matches as a Program internal control. FIA's failure to comply with the new hires database match policies and procedures and the lack of proper local office monitoring (Finding 4) increase the risk of making Program overpayments that will not be detected and recouped on a timely basis.

RECOMMENDATION

We recommend that FIA comply with established policies and procedures to investigate and resolve database matches that identify Program recipients who may not have reported new employment.

AGENCY PRELIMINARY RESPONSE

FIA agrees that the new hires processing and resolution should occur. FIA informed us that several systems requests are currently under development to present the new hire information in a more streamlined and less duplicative manner to field staff in an effort to increase the efficiency of the reduced staff.

FINDING

8. U.S. Internal Revenue Service (IRS) Data Matches

FIA usually did not investigate and resolve IRS data matches that identify recipients who may have unreported income.

FIA uses two different IRS data matches to identify active public assistance recipients who have earned out-of-State wage income, self-employment income, and pension income or unearned income, such as savings account interest and lottery winnings, that third parties reported to the IRS. FIA produces wage and pension reports annually and unearned income reports every one to two months. PAM item 803 requires FIA to send the IRS data match reports to local offices for resolution. Also, PAM item 803 requires FIA to send a computer generated letter to each recipient requesting him/her to verify the propriety of the income information from the IRS data match. In addition, PAM item 803 requires local

office specialists to review information provided by recipients in order to determine their current eligibility, the propriety of the data match income, and if overpayments have occurred because of the unreported income and to initiate action in order to recover any overpayments if appropriate. If the recipient refuses to respond or cannot verify the information, the specialist must either close the case or contact the third party to verify the information. The specialist is to resolve the IRS data matches within 45 days of receipt and document the investigation and resolution in the case record.

Based on the most current information available at the time of our audit fieldwork, FIA had identified 47,162 wage, self-employment, and pension data matches totaling over \$127 million, or an average of \$2,712 per recipient match, for the 1999 tax year and 13,828 unearned income matches for the 1998 tax year that were subject to recipient resolution or third party verification. Our review of FIA's IRS data match process and randomly selected samples of 50 recipients from FIA's wage and pension reports and 50 recipients from FIA's unearned income reports for active recipients at the 5 FIA local offices we visited disclosed:

- a. FIA sent only a limited number of wage and pension reports to FIA local offices for resolution and corresponding verification letters to identified recipients.

Contrary to PAM item 803, FIA staff stated that they selected a sample of 20% of the recipients identified from the IRS wage, self-employment, and pension data match. Also, from the 20% sample, FIA selected and sent reports to local offices and corresponding verification letters to recipients for only those matches of more than \$5,000. In addition, FIA could not provide us with the number or identity of recipients selected for verification because of IRS confidentiality requirements. FIA staff stated that they did not send all wage and pension reports, as required, because they did not believe that the IRS data match process was efficient in identifying recipient welfare fraud.

- b. FIA local offices likely did not investigate and resolve the limited number of referred IRS wage, self-employment, and pension data matches.

Without knowledge of FIA's sample of IRS wage, self-employment, and pension data matches referred to local offices (as discussed in item a.), we randomly selected 50 matches that were \$5,000 or more for active recipients

at the 5 local offices we visited. FIA local offices could not document that they investigated and resolved 49 (98%) of these 50 matches.

- c. FIA local offices usually did not investigate and resolve referred IRS unearned income data matches.

FIA sends all unearned income reports to FIA local offices and corresponding verification letters to identified recipients. Staff at the 5 local offices visited could not document that they had investigated and resolved 41 (82%) of the 50 IRS unearned income data matches that we sampled.

- d. FIA local offices generally did not close active Program cases when recipients did not respond to letters requesting verification of IRS data match information.

We noted no documentation in Program case records for 49 (98%) of the 50 active recipients we sampled that could have received a verification letter (item b.) or 39 (78%) of the 50 that did receive a verification letter (item c.). In accordance with PAM item 803, specialists should have closed the cases.

When responding to their high rates of noncompliance with policies and procedures regarding IRS data matches, some local office specialists and supervisors stated that they were not aware of PAM item 803. Also, supervisors generally did not monitor specialists to ensure that IRS data match referrals were investigated and resolved or that cases were closed if Program participants did not respond to verification letters. As a result, FIA's IRS data matches were essentially not effective as a Program internal control, which increases the risk of continued Program overpayments to recipients that will not be detected and recouped.

RECOMMENDATION

We recommend that FIA investigate and resolve IRS data matches that identify recipients who may have unreported income.

AGENCY PRELIMINARY RESPONSE

FIA agrees that IRS data match resolution should occur. FIA informed us that the age of the IRS information makes verification problematic in some cases. The new hires information is a better tool for payment due to the relative timeliness of its availability. FIA has not found the unearned income match to be a cost effective

tool. FIA will continue to review the process to ensure IRS confidentiality and as effective a presentation of information to field staff as possible, as part of FIA's ongoing tape match initiatives.

FINDING

9. Benefits for Incarcerated Recipients

FIA frequently did not investigate the whereabouts of potentially incarcerated recipients and, when appropriate, remove them from the Program and recoup any overpayments in compliance with established policies and procedures. Also, FIA should revise its policies and procedures to require the identification and recoupment of overpayments, when appropriate, from Program recipients previously incarcerated.

PAM item 804 states that a person incarcerated in a federal, State, or local correctional facility for more than 30 days is not eligible to receive Program benefits. To help identify incarcerated recipients, FIA conducts a quarterly computer data match of active Program recipients (age 15 and over) with the U.S. Social Security Administration's database of individuals incarcerated in federal, State, and local correctional facilities. When a match occurs, FIA sends a form to the applicable correctional facility to confirm whether the recipient is incarcerated. If the facility confirms that a recipient is incarcerated, PAM item 804 requires that FIA notify the applicable FIA local office of the incarceration and that the local office close the case or inactivate the recipient and take action to recoup any program benefits issued during the period that the recipient was incarcerated. If a facility does not confirm that a recipient was incarcerated, PAM item 804 requires that FIA notify the applicable FIA local office of the possible incarceration and that the local office verify the whereabouts of the recipient, take action to close the case or inactivate the recipient if it is determined that the recipient was incarcerated, and recoup any overpayments. If a facility returns a confirmation request stating that the recipient is no longer incarcerated, PAM item 804 states that no further action is to be taken.

FIA identified 4,877 potentially incarcerated Program recipients from Social Security Administration database matches conducted from April 1, 2000 through January 1, 2001. Correctional facilities did not respond to 3,391 (70%) requests,

confirmed that 173 (4%) of the recipients were incarcerated, and confirmed that 1,313 (27%) had been but were no longer incarcerated.

Our review of FIA's oversight of recipients that were or may have been incarcerated disclosed:

- a. FIA did not notify applicable FIA local offices of the 3,391 potentially incarcerated Program recipients identified through the Social Security Administration database matches for whom correctional facilities did not respond to FIA's confirmation request.

To determine how many of these recipients were incarcerated in a State correctional facility, we conducted a computer data match of the 3,391 potentially incarcerated recipients with a Department of Corrections database and identified 170 Program recipients who were under the Department's supervision as of May 18, 2001. Also, we selected 33 of these recipients and determined that 12 (36%) had received Program benefits while incarcerated.

Our data match would have understated the number of incarcerated recipients because it did not include federal or local correctional facilities. FIA management stated that it did not notify local offices of the 3,391 potentially incarcerated recipients because of a lack of resources.

- b. FIA local offices usually did not initiate action to recoup Program benefits provided to incarcerated recipients.

At 4 of the 5 local offices we visited, we reviewed Program case records and automated recoupment system entries for 10 active recipients who FIA had identified and confirmed as being incarcerated. We determined that local office specialists did not initiate any action to recoup any Program overpayments provided to 9 (90%) of the 10 recipients.

- c. FIA policies and procedures did not require the determination and recoupment of overpayments to Program recipients who had received benefits while incarcerated but were not incarcerated at the time that a correctional facility confirmed the recipient was previously incarcerated.

Correctional facilities confirmed to FIA that 1,313 recipients were previously incarcerated but were no longer incarcerated at the time of their confirmation. Although a substantial portion of these recipients likely received Program benefits while incarcerated, FIA took no further action to determine if recoupment of Program overpayments was appropriate.

As noted in items a. through c., FIA's Program internal controls pertaining to identifying incarcerated Program recipients and determining and recovering Program overpayments, when appropriate, were not effective.

RECOMMENDATIONS

We recommend that FIA investigate the whereabouts of potentially incarcerated recipients and, when appropriate, remove them from the Program and recoup any overpayments in compliance with established policies and procedures.

We also recommend that FIA revise its policies and procedures to require the identification and recoupment of overpayments, when appropriate, from Program recipients previously incarcerated.

AGENCY PRELIMINARY RESPONSE

FIA agrees with the recommendations but stated that it has met with some difficulty in implementing actions. FIA informed us that this is a federally mandated data match and, while institutions are required to report incarcerations, they are not required to report release information or verify the accuracy of the incarceration information. No data received from the data match can be accepted as valid without additional verification.

To overcome this obstacle, FIA will explore partnering with the Department of Corrections (DOC) to obtain inmate report release information. With this additional information, FIA can determine begin and end dates for program ineligibility due to absence from the household and any overissuances made to the household due to failure to report the inmate's absence. A cross-match of DOC and FIA system data can identify when program recipients begin and end incarceration with reports/alerts provided to local office specialists.

FINDING

10. Specialists' Caseloads

FIA had not established caseload standards for specialists or requested funding to maintain specialists' caseloads at acceptable levels to help reduce Program payment error rates and corresponding federal Program sanctions.

FIA had not established staffing caseload standards for family independence specialists and eligibility specialists at FIA local offices who perform the ongoing functions of the Program and other assistance payment programs. Many of the specialists' functions are labor intensive and, if not properly performed, directly affect the appropriateness or accuracy of Program payments, which impact the Program payment error rate.

Our analysis of Program payment error rates and specialists' Program caseloads for fiscal years 1997-98 through the first quarter of fiscal year 2001-02 (December 31, 2001) disclosed a correlation between the factors. As noted in the following table, although this correlation may not directly apply to each individual quarter, a significant Program error rate reduction corresponded with specialists'

reduced caseloads and recent increases in the error rate corresponded over time to specialists' increased caseloads:

Specialists' Program Caseloads and Program Payment Error Rates

Fiscal Year/ Quarter	Average Number of Households Receiving Program Benefits	Number of Specialists	Average Household Caseload per Specialist	Program Payment Error Rate (*)	USDA Adjusted Fiscal Year Program Payment Error Rate
1997-98:					17.67%
First	319,417	3,723	86	12.86%	
Second	323,375	3,780	86	14.78%	
Third	309,454	3,787	82	19.26%	
Fourth	304,200	3,767	81	17.98%	
1998-99:					17.59%
First	293,612	3,775	78	20.56%	
Second	284,945	3,776	75	18.12%	
Third	276,005	3,766	73	15.01%	
Fourth	265,221	3,811	70	15.27%	
1999-2000:					13.28%
First	257,748	3,818	68	13.46%	
Second	256,445	3,778	68	12.95%	
Third	251,961	3,788	67	10.46%	
Fourth	249,394	3,804	66	11.13%	
2000-01:					13.93%
First	254,548	3,776	67	10.61%	
Second	265,741	3,779	70	13.00%	
Third	282,621	3,737	76	11.50%	
Fourth	295,193	3,685	80	13.70%	
2001-02:					N/A
First	311,500	3,654	85	14.50%	

(*) Quarterly Program payment error rates are the average of the FIA determined monthly error rates for the quarter as reported to the USDA. The USDA usually makes adjustments to FIA's reported error rates when determining the fiscal year Program payment error rate. The quarterly averages based on FIA determined error rates generally understate the USDA's adjusted fiscal year Program payment error rate.

An August 1, 2001 letter from the FNS regional office to FIA further supports this correlation. The letter states:

As has been demonstrated nationally and within our region, the higher the number of cases a worker carries, the greater the incidence of error.

The State has a number of worthwhile activities it is undertaking through its CAP [corrective action plan] and reinvestment processes. With the size of the Food Stamp Program and the myriad challenges facing counties in operating programs, a variety of initiatives are required. However, the variety and quality of initiatives are moot if the State has a . . . high caseload. We encourage the State to ensure that all caseloads are covered and that worker caseloads are at a workable level.

Also, FIA had not requested funding from the Department of Management and Budget for additional specialists to perform ongoing Program and other assistance payment program functions. Requests for additional specialists would have appeared prudent based on the correlation between Program payment error rates and specialists' caseloads and recent USDA recommendations. In addition, management at 2 of the 5 FIA local offices we visited attributed their high Program error rates to a lack of sufficient staffing and increasing Program caseloads. Further, FIA's planned reduction in specialists resulting from the State's 2002 Early Retirement Program will probably result in increased Program payment error rates and corresponding higher USDA Program sanctions. As noted in Finding 3, FIA has already incurred substantial USDA Program sanctions (\$64.5 million).

RECOMMENDATION

We recommend that FIA establish caseload standards for specialists and request funding to maintain specialists' caseloads at acceptable levels to help reduce Program payment error rates and corresponding federal Program sanctions.

AGENCY PRELIMINARY RESPONSE

FIA agrees with the recommendation. FIA will develop and conduct an FIS/ES workload study during calendar year 2003 to determine how much specialist time is necessary to meet minimum policy standards for each program case. The workload time values will be applied to the entire agency caseload to determine the number of staff the agency needs to meet currently established standards on all

cases. With the information obtained from the study, FIA will determine the next appropriate steps: request additional staff, change program policy requirements to reduce/prioritize the workload, provide more efficient methods of completing required work, or a combination of these options. FIA noted that during the period of the audit the agency operated under a hiring freeze and could not replace vacancies without exception approval from the Department of Management and Budget.

CONTROL OVER PROGRAM BENEFITS FOR INDIVIDUALS CONVICTED OF DRUG FELONIES

COMMENT

Audit Objective: To assess FIA's effectiveness in controlling Program benefits for individuals convicted of drug felonies.

Conclusion: **We concluded that FIA was not effective in controlling Program benefits for individuals convicted of drug felonies.** Our assessment disclosed one material condition. FIA had not established effective procedures and internal controls to help prevent the misuse of Program benefits by convicted drug felons (Finding 11).

FINDING

11. Convicted Drug Felons Receiving Program Benefits

FIA had not established effective procedures and internal controls to help prevent the possible misuse of Program benefits by convicted drug felons.

Since fiscal year 1997-98, FIA's annual appropriations acts have required that any individual receiving Program benefits, who was convicted of a felony that included the possession, use, or distribution of a controlled substance after August 22, 1996, must have an authorized representative assigned to him/her. FIA management stated that the intent of the requirement was to help control a drug felon's possible misuse of Program benefits and to provide a positive influence on the drug felon's behavior.

PAM item 110 defines an authorized representative as a person who applies for Program assistance on behalf of the recipient and/or otherwise acts on the

recipient's behalf. PAM item 401E provides that both the recipient and the authorized representative receive an electronic benefits transfer (EBT) card. Since FIA distributes all Program benefits through EBT cards, both the recipient and the authorized representative can use their EBT cards to purchase food for the recipient and/or other family members.

To comply with the appropriations acts, FIA asks applicants to self-declare on their applications for Program assistance if they have been convicted of a drug felony for an offense occurring after August 22, 1996. If an applicant indicates on the application that he/she has been convicted of a drug felony, the local FIA office is to ensure that the applicant designates an authorized representation. If an applicant indicates that he/she has not been convicted of a drug felony, no further action is initiated.

Our review of FIA's implementation of the authorized representative requirement disclosed:

- a. FIA's procedure to identify convicted drug felons is not effective.

To determine the effectiveness of FIA's self-declaration procedure in identifying convicted drug felons, we conducted a computer data match between CIS and the Michigan Department of State Police's criminal history file to identify Program recipients who had been convicted of a drug felony for an offense that occurred after August 22, 1996. We identified 4,568 recipients/convicted drug felons who received Program benefits during the period October 1, 1998 through August 15, 2001.

We selected a random sample of 41 recipients from the 5 FIA local offices we visited and reviewed each recipient's most recent assistance application. We determined that 35 (85%) of the 41 recipients did not acknowledge on their application that they were convicted drug felons.

- b. Many convicted drug felons did not have an authorized representative as required by statute.

We conducted a computer data match between CIS and the Michigan Department of State Police's criminal history file to identify active Program recipients who were receiving Program benefits as of August 15, 2001 and

who were convicted of a drug felony for an offense that occurred after August 22, 1996. We identified 1,026 active recipients and determined that 564 (55%) did not have an authorized representative designated on the CIS database.

In addition, of the 6 recipients in item a. who acknowledged that they were convicted drug felons, 1 (17%) recipient had not designated an authorized representative on the application. FIA took no action to ensure that the recipient obtained and designated an authorized representative.

- c. FIA's procedures and resulting internal controls for recipients identified as convicted drug felons would not prevent the possible misuse of Program benefits.

When recipients identify themselves as convicted drug felons, FIA's procedure allows felons to designate or select an authorized representative. However, a convicted drug felon, who may have intentions of misusing Program benefits, likely would not designate an authorized representative who would take action to prevent the felon from misusing the benefits.

Also, FIA issues an EBT card to both the recipient and the authorized representative for use in purchasing food. This practice provides the recipient/felon with control over Program benefits and severely limits any control that an authorized representative would have over a felon's use of benefits. Prior to implementing the EBT card system, FIA issued Program coupons directly to recipients/convicted drug felons, which resulted in the same lack of control as issuing the EBT card to the recipient/felon.

Further, although both PAM items 110 and 401E provide some details on the responsibilities of an authorized representative, these procedures do not address how the authorized representative is to monitor a convicted drug felon's use of Program benefits. The PAM items appear to be designed to guide an authorized representative who may be assisting an elderly or disabled recipient purchase food and not for the purpose of ensuring the proper use of Program benefits by a convicted drug felon.

As noted in items a. through c., FIA's internal controls provide little assurance that convicted drug felons will properly use Program benefits.

RECOMMENDATION

We recommend that FIA establish effective procedures and internal controls to help prevent the possible misuse of Program benefits by convicted drug felons.

AGENCY PRELIMINARY RESPONSE

FIA agrees with the recommendation. FIA will pursue an ongoing computer data match between CIS and the Michigan Department of State Police's criminal history to identify approved applicants and current recipients who are convicted drug felons. Reports/alerts will be provided to local office specialists to identify those recipients requiring an authorized representative. The convicted drug felon recipient will need to provide an authorized representative, as there are no current resources to identify or fund authorized representatives. FIA will develop information material describing the duties of an authorized representative in these situations. This information will be provided to authorized representatives at time of appointment. FIA believes both the authorized representative and recipient need access to the EBT benefits, as the authorized representative may not always be available when the household needs food. FIA believes these two actions will strengthen program integrity but cannot guarantee the prevention of misuse of program benefits as vendor fraud also occurs.

SUPPLEMENTAL INFORMATION

STATE OF MICHIGAN
FAMILY INDEPENDENCE AGENCYL-01-166
FOOD STAMPS

MEMORANDUM

To: **County Directors**
District Office Managers

From: **Jim Nye for**
Field Operations Administration

Subject: **Food Stamp Outreach**

Date: **September 26, 2001**

Response Due: None

Several local offices have proposed Food Stamp (FS) Outreach initiatives to increase the number of eligible recipients receiving benefits. In response to these proposals, the following guidelines are being issued:

1. Our first priority is to support current customers as they progress toward economic independence. Whenever cash assistance is closed, due to increased income or other factors, continued FS eligibility is to be determined. The Food Stamp program provides a critical nutrition/hunger safety net that is an important resource to support families and individuals.
2. Due to the current FS sanctions, Food and Nutrition Services does not support the use of any Reinvestment funds for Outreach efforts. Reinvestment funding can be used only for approved payment accuracy initiatives.
3. Local offices may provide program eligibility and benefit information to interested community groups. Local offices are not to establish formal outreach plans nor establish targets for increased program participation. Examples of appropriate activities include: Staff visiting feeding sites, etc., to take FS applications; speaking with senior groups; explaining FS eligibility requirement at Domestic Violence Shelters, etc.

Presentations of program requirements and benefits should be tailored to the audience, e.g., homeless shelters, senior citizen housing. The particular eligibility factors most pertinent to the group should be highlighted.

4. The Center for Civil Justice, Saginaw office, has received a federal grant to conduct a formal FS Outreach effort. Local FIA offices have been contacted regarding their role in this Outreach effort. These local offices are to cooperate, as agreed, with this grant activity.

Michigan has established an excellent record of supporting FIP customers as they leave cash assistance. Our FS participation rate, in comparison to FIP closures, is among the best in the nation. Also, current FS participation rates are increasing.

"We Strengthen Individuals and Families Through Mutual Respect and Mutual Responsibility."

This information is being provided to describe the Agency's approach to FS Outreach. It is expected that most current local office activities are consistent with this direction and will require no adjustments. Please address any questions on this topic through your appropriate management chain.

Number and Status of Previous L-Letters Issued on the Same Subject: None

Contact Office: FOA/Outstate Operations

Telephone Number of Contact: (517) 373-3570

Distribution : Family Independence Managers

Obsolete Date: 10/30/02

C: Executive Council
Zone Managers

FOOD ASSISTANCE PROGRAM
 Family Independence Agency
 Former Recipients Who Voluntarily Left the Program
Summary of Survey Responses

Surveys distributed 775
 Number of responses 212
 Response rate 27%

The total number of responses for each item may not agree with the number of responses noted above because some respondents provided more than one response to an item and other respondents did not answer all items.

1. Are you currently receiving Food Stamp benefits? Please check (✓) yes or no.

- a. 28 Yes (If you checked "Yes," please go to question 2.)
 b. 184 No (If you checked "No," please go to question 3.)

2. Please indicate the approximate date you started to receive benefits and the amount of benefits you currently receive.

Various Approximate date benefits started
Various Current benefit amount

If you completed item 2., please skip the remaining questions and return the survey.

There were 28 respondents to item 2.

3. Please check (✓) the way in which you last received your Food Stamp benefits:

- a. 42 Coupons
 b. 4 Cash out check
 c. 136 Debit/Bridge card
 5 No response
 1 Never received food stamps (this response was written in)

4. Please check (✓) ALL of the following types of assistance you were receiving while enrolled in Food Stamps (first column) and which types you are currently receiving (second column). If you were receiving the assistance while enrolled in the Food Stamp Program and are still currently receiving it, please check both columns.

Type of Assistance	While Receiving Food Stamps	Currently Receiving
a. FIA Child Care payment assistance	22	9
b. Employment training through Work First	14	1
c. Family Independence Program (FIP)	37	3
d. Low Income Energy Assistance	16	2
e. Medicaid/Medical Assistance (MA)	104	58
f. State Disability Assistance (SDA)	3	2
g. State Medical Program (SMP)	16	0
h. Supplemental Security Income (SSI)	26	12

5. Please check (✓) the amount of monthly Food Stamp benefits you were receiving when you left the Food Stamp Program.

a.	53	\$1 - \$10
b.	20	\$11 - \$50
c.	20	\$51 - \$100
d.	48	\$101 - \$200
e.	23	\$201 - \$300
f.	9	\$301 - \$400
g.	4	\$401 - \$500
h.	1	\$501 - \$600
i.	0	\$601 - \$700
j.	0	More than \$700
k.	3	I do not know.
	3	No response
	2	None (these responses were written in)

6. How many adults and children in your household were in your Food Stamp group when you were last receiving Food Stamp benefits?

a.	Various	Number of adults
b.	Various	Number of children
c.	Various	I do not know.

7. Please check (✓) one of the following reasons that best explains why your Food Stamp case was closed:

- | | | |
|----|------------|---|
| a. | <u>12</u> | I did not reapply or send in my paperwork. |
| b. | <u>122</u> | I asked FIA to close my case. |
| c. | <u>23</u> | I was notified that I was no longer eligible. |
| d. | <u>3</u> | I do not know. |
| e. | <u>35</u> | Other (please list) |
| | <u>6</u> | No response |

The "Other" responses to this item varied. The most common responses were that the recipient had too much income to be eligible for benefits, the benefits received were not worth the recipients' time, and the recipient returned to work or got a job.

8. If you were previously receiving Family Independence Program (FIP) benefits and your FIP case was closed, were you informed that you may still be eligible for Food Stamps?

- | | | |
|----|-----------|--------------------------------------|
| a. | <u>38</u> | I was not receiving FIP benefits. |
| b. | <u>50</u> | Yes, I was informed. |
| c. | <u>30</u> | No, I was not informed. |
| d. | <u>28</u> | I do not remember if I was informed. |
| | <u>38</u> | No response |

Please check (✓) **ALL** of the following reasons why you are no longer enrolled in the Food Stamp Program.

- | | | |
|----|-----------|--|
| a. | <u>68</u> | My wage earnings increased. |
| b. | <u>5</u> | I received a lump sum cash payment. |
| c. | <u>1</u> | I had a physical handicap and could not get to the FIA office. |
| d. | <u>3</u> | I did not have transportation to get to the FIA office. |
| e. | <u>3</u> | The FIA office was not open early or late enough in the day. |
| f. | <u>7</u> | I had to take time off from work in order to go to the FIA office. |
| g. | <u>6</u> | The redetermination process for my Food Stamp benefits took too long. |
| h. | <u>4</u> | The redetermination application was too difficult to complete. |
| i. | <u>21</u> | I was embarrassed to be receiving Food Stamps. |
| j. | <u>63</u> | The amount of Food Stamp benefits that I was receiving was not worth my time and effort to remain in the Food Stamp Program. |
| k. | <u>10</u> | I did not like my bridge card (EBT card). |
| l. | <u>0</u> | I did not like the cash out method. |
| m. | <u>73</u> | Other reasons (please list) |
| | <u>9</u> | No response |

The "Other reasons" responses to this item varied. The most common responses were that the benefits received were not worth the hassle, the recipient returned to work or found employment, the recipient had an increase in income, and the recipient had a change in circumstances and felt no longer eligible or no longer needed benefits.

9. When you left the Food Stamp Program, were you still eligible for Food Stamp benefits?

a.	<u>79</u>	Yes
b.	<u>31</u>	No
c.	<u>69</u>	I do not know.
	<u>5</u>	No response

10. Overall, how would you rate the service you received from your Food Stamp specialist?

a.	<u>82</u>	Very good
b.	<u>44</u>	Good
c.	<u>36</u>	Acceptable
d.	<u>10</u>	Bad
e.	<u>10</u>	Very bad

11. Please give an example of or state the reasons for your answer to question 10 above.

Responses to this item varied. The most common responses were that the specialist was courteous, helpful, and encouraging; the specialist was rude and the recipient received poor treatment; and the specialist was hard to get in touch with and did not return calls.

12. Please use the space below to include any additional comments or suggestions for improving the Food Stamp Program.

Responses to this item varied. The most common responses were that the minimum amount of benefits received should be increased, each individual household's bills should be considered in the budget, eligibility thresholds should be increased, and the specialists should be more respectful.

Glossary of Acronyms and Terms

bridge card	An EBT or debit card used to purchase food at select retail outlets.
case record	Documents arranged in a series of packets and information related to a given case (one or more programs) contained in a folder with a number tab(s).
CIS	Client Information System.
DOC	Department of Corrections.
drug felon	An individual convicted of violating Sections 333.7401 - 333.7461 of the <i>Michigan Compiled Laws</i> (controlled substance provisions of the Michigan Public Health Code) for which the penalty was considered a felony (i.e., generally results in incarceration for one or more years).
EBT card	electronic benefits transfer card.
effectiveness	Program success in achieving mission and goals.
FIA	Family Independence Agency.
FIM	family independence manager.
FIS/ES	Family Independence Specialist/Eligibility Specialist.
FNS	Food and Nutrition Service.
goal	The agency's intended outcome or impact for a program to accomplish its mission.
internal control	The plan of organization, methods, and procedures adopted by management to prove reasonable assurance that goals

are met; resources are used in compliance with laws and regulations; valid and reliable data is obtained and reported; and resources are safeguarded against waste, loss, and misuse.

IRS U.S. Internal Revenue Service.

LOA2 Local Office Automation II.

LOR Manual Local Office Reports Manual.

material condition A reportable condition that could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program.

PAM Program Administrative Manual.

performance audit An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.

PIP performance improvement plan.

poverty threshold Income limits established by the U.S. Census Bureau based on annual interviews of about 50,000 sampled households across the nation to determine who is considered poor.

Program Food Assistance Program (formerly the Food Stamp Program).

reportable condition	A matter that, in the auditor's judgment, represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.
specialist	An FIA staff member responsible for determining recipient Program eligibility and benefits, maintaining recipient case files, calling on recipients in their homes, and providing social work services.
USDA	U.S. Department of Agriculture.
vision statement	The agency's fundamental goal for the organization.